Birlasoft Limited (KPITEC)

CMP: 329 | Target ₹ 350 (6%) | Target Period: 12 months | HOLD

October 30, 2026

H2 to be better; we await sustained recovery!

About the stock: Birlasoft Limited (Birlasoft), is the global technology services division of the 'CKA Birla Group'. It merged with KPIT's IT Services business in 2019. It caters to 4 verticals - Manufacturing, BFSI, Energy & Utilities & Lifesciences.

Q2FY27 performance: Revenue stood at US$148.3 mn (₹1,416.2 crore), up 2.1% QoQ/down 1.1% YoY in CC terms. Reported EBITDA margin stood at 15.2%, down 95 bps QoQ/84 bps YoY. Reported PAT stood at ₹159.6 crore, down 0.8% QoQ/up 37.5% YoY. TCV for the quarter stood at US$116 mn, down 31.4% QoQ/up 8% YoY, including new deal wins of US$47 mn (~41% of TCV).

Investment Rationale:

- **Sequential growth recovery gains traction:** Birlasoft reported 2.1% QoQ revenue growth in Q2FY27 in CC terms, supported by broad-based growth across Manufacturing (+5% QoQ), BFSI (+3.7% QoQ) and Lifesciences & Services (+2.1% QoQ) while E&U remains (-6.6% QoQ) weak due to a client-specific ramp-down. **Management expects H2FY27 performance to improve over H1FY27, supported by pipeline conversion, renewals and sales investments. However, Q3 is likely to face seasonal furloughs and E&U recovery is not expected in the near term.** Thus, while sequential growth is encouraging, the continued YoY decline and uneven vertical performance highlight limited visibility on a sustained turnaround. **We expect US$ revenue to grow at CAGR of 2.8% over FY26-28E.**
- **Margin resilience and AI capabilities support profitability:** EBITDA margin stood at 15.2%, remaining above management's sustainable margin aspiration of ~15%, despite wage hikes and continued investments in sales and service-line capabilities. Operational efficiencies, productivity improvements and better revenue quality partly offset these headwinds. Birlasoft's OpenAI Select Partner status and AWS AI Services competency further strengthen its positioning in AI-led transformation engagements, while increasing adoption of agentic AI in engineering workflows offers scope for sustained productivity gains. **Management aims to sustain margins at around 15%. Accordingly, we bake in EBITDA margins of 15.5% and 16% in FY27E and FY28E.**
- **Deal momentum and strong cash generation provide support:** H1FY27 TCV grew 15% YoY to US$285 mn, supported by AI-led transformation opportunities, while management highlighted a steady pipeline and expects H2 performance to improve. However, with some deals pushed to Q3/Q4, Q2FY27 TCV declined 31.4% QoQ to US$116 mn, with order bookings below management expectations, highlighting the need for improved conversion. Strong collections, DSO improvement to 51 days and cash and cash equivalents of ₹2,879 crore provide balance-sheet comfort.

Rating and Target Price: Given some QoQ growth visibility and sequential margin sustenance, **we maintain our HOLD rating, with a target price of ₹350; valuing it at 14x P/E on FY28E EPS (vs. 12x, earlier).**

birlasoft | CKA Birla Group

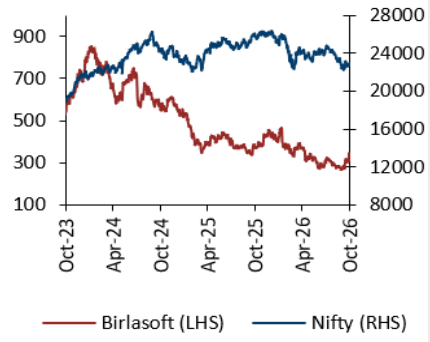
Particulars

Particular	Amount
Market Cap (₹ Crore)	9,172
Total Debt	-
Cash & Inv (₹ Crore)	2,456
EV (₹ Crore)	6,715
52 week H/L	411/274
Equity capital	55.9
Face value	2.0

Shareholding pattern

	Dec-25	Mar-26	Jun-26	Sep-26
Promoter	40.5	40.4	40.4	40.4
FII	10.9	13.6	12.8	12.3
DII	24.1	23.3	22.0	19.6
Public	24.5	22.6	24.8	27.7

Price Chart



Key risks

- Delayed revenue and margin recovery;
- Faster than expected pipeline growth and deal conversion.

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Result Update

ICICI Securities – Retail Equity Research

Key Financial Summary

₹ Crore	FY24	FY25	FY26	5 Year CAGR (FY21-26)	FY27E	FY28E	2 Year CAGR (FY26-28E)
Net Sales	5,278	5,375	5,310	8%	5,677	5,997	6%
EBITDA	836	697	866	10%	879	959	5%
EBITDA Margins (%)	15.8	13.0	16.3		15.5	16.0	
Net Profit	624	517	518	10%	650	710	17%
EPS (₹)	22.3	18.5	18.4		23.1	25.2	
P/E	14.7	17.7	17.7		14.1	12.9	
RoNW (%)	20.5	14.9	12.6		14.0	13.5	
RoCE (%)	26.9	19.6	19.5		18.8	17.8	

Source: Company, ICICI Direct Research

Performance highlights and outlook

- **Revenue Performance:** Birlasoft reported revenue of US$148.3 mn (₹1,416.2 crore), up 2.1% QoQ/down 1.1% YoY in CC terms. In US$ terms, revenue grew 2.1% QoQ but declined 1.6% YoY, while INR revenue increased 2.7% QoQ and 6.6% YoY. **Sequential growth improved, but negative YoY CC growth highlights the absence of a sustained recovery.**
- **Geography performance:** Geography wise, on a QoQ basis in US$ terms, Americas (83.5% of mix) grew 2.9% while RoW (16.5% of mix) declined 1.4%.
- **Vertical performance:** Vertical-wise on a QoQ basis in US$ terms, Manufacturing (38.7% of mix), BFSI (25.7%) and Lifesciences & Services (19.6%) grew 5%, 3.7% and 2.1%, respectively, while E&U (16% of mix) declined 6.6% due to a client-specific ramp-down in Europe.
- **Margin performance:** Reported EBITDA margin stood at 15.2%, down 95 bps QoQ/84 bps YoY. Wage hikes effective July 2026 and continued investments in sales and service-line capabilities were partly offset by operational efficiencies and productivity improvements. **Management continues to target a sustainable margin of around 15%. Reported PAT stood at ₹159.6 crore, down 0.8% QoQ/up 37.5% YoY.**
- **Outlook:** Management expects H2 performance to improve over H1, supported by pipeline conversion, renewals and sales investments. **However, Q3 is likely to face seasonal furloughs, demand remains subdued and E&U recovery is not expected in the near term.**
- **Deal Pipeline:** TCV stood at US$116 mn, down 31.4% QoQ/up 8% YoY, including new deal wins of US$47 mn (~41% of TCV). H1FY27 TCV grew 15% YoY to US$285 mn. Management acknowledged that quarterly bookings fell short of expectations, with some deals deferred to Q3/Q4.
- **AI strategy:** Birlasoft was named an **OpenAI Select Partner** and **earned AWS AI Services competency**. Around one-third of its quotes are now generated using agentic AI tools, compared with approximately 25% a few months earlier. While these capabilities strengthen its positioning for AI-led engagements, sustained revenue conversion remains key.
- **Attrition and employee addition:** Headcount increased by 85 QoQ to 11,142, while LTM attrition declined 60 bps QoQ to 11.1%.

Exhibit 1: Quarter Performance

	Q2FY27	Q2FY26	YoY (%)	Q1FY27	QoQ (%)	Comments
Revenue	1,416	1,329	6.6	1,379	2.7	Revenue was up 2.1% QoQ/ down 1.1% YoY in CC terms.
Employee expense	862	796	8.2	838	2.8	
Gross Margin	555	533	4.1	542	2.4	
Gross margin (%)	39.2	40.1	-91 bps	39.3	-10 bps	
Other expense	339	319	6.3	319	6.4	
EBITDA	215.3	213.3	1.0	222.8	-3.3	
EBITDA Margin (%)	15.2	16.0	-84 bps	16.1	-95 bps	Reported EBITDA margin stood at 15.2%, down 95 bps QoQ/84 bps YoY, as wage hikes and continued investments in sales and service-line capabilities were only partly offset by operational efficiencies.
Depreciation & amortisation	25	20	24.2	19	29.7	
EBIT	190	193	-1.5	203	-6.5	
EBIT Margin (%)	13.4	14.5	-110 bps	14.7	-131 bps	
Other income (less interest)	35	17	105.1	25	40.5	
PBT	225	210	7.1	228	-1.4	
Tax paid	65	94	-30.4	67	-2.7	
PAT	160	116	37.5	161	-0.8	

Source: Company, ICICI Direct Research

Exhibit 2: Change in estimates

	FY27E			FY28E		
(₹ Crore)	Old	New	% Change	Old	New	% Change
Revenue (USD mn)	590	597	1.2	627	631	0.6
Revenue	5,534	5,677	2.6	5,864	5,997	2.3
EBITDA	888	879	-1.0	944	959	1.6
EBITDA Margin (%)	16.0	15.5	-55 bps	16.1	16.0	-10 bps
PAT	660	650	-1.5	707	710	0.3
Diluted EPS (₹)	23.5	23.1	-1.5	25.1	25.2	0.3

Source: Company, ICICI Direct Research

Financial summary

Exhibit 3: Profit and loss statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Total operating Income	**5,310**	**5,677**	**5,997**
Growth (%)	(1.2)	6.9	5.6
COGS (employee expenses)	3,171	3,448	3,598
Other expenses	1,273	1,350	1,439
Total Operating Expenditure	4,444	4,798	5,037
EBITDA	**866**	**879**	**959**
Growth (%)	24.2	1.5	9.2
Depreciation	80	90	100
Other income (net)	45	109	98
PBT	790	898	958
Total Tax	272	248	248
PAT	**518**	**650**	**710**
Growth (%)	0.3	25.4	9.2
Diluted EPS (₹)	**18.4**	**23.1**	**25.2**
Growth (%)	(0.3)	25.4	9.2

Source: Company, ICICI Direct Research

Exhibit 4: Cash flow statement ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Profit before Tax	790	898	958
Add: Depreciation	80	90	100
Others	(1)	(109)	(98)
Inc/(dec) in working capital	(96)	(32)	(42)
Taxes paid	(293)	(248)	(248)
CF from operating activities	**481**	**600**	**670**
(Inc)/dec in Fixed Assets	(44)	(47)	(50)
Others	(99)	132	120
CF from investing activities	**(143)**	**84**	**70**
Dividend paid & dividend tax	(181)	(113)	(113)
Others	(52)	(23)	(22)
CF from financing activities	**(233)**	**(135)**	**(135)**
Net Cash flow	105	549	605
Exchange difference	(6)	-	-
Opening Cash	367	466	1,014
Closing cash & Bank	**466**	**1,014**	**1,620**

Source: Company, ICICI Direct Research

Exhibit 5: Balance sheet ₹ crore

(Year-end March)	FY26	FY27E	FY28E
Equity Capital	56	56	56
Reserve and Surplus	4,057	4,595	5,192
Total Shareholders funds	4,113	4,650	5,248
Total Debt	-	-	-
Lease liability	111	111	111
Provisions	128	137	144
Other non current liabilities	3	3	3
Total Liabilities	**4,354**	**4,900**	**5,505**
Assets			
Property, plant and equipment	109	93	73
Goodwill	565	565	565
Intangibles	36	36	36
Right-of-use assets	124	97	67
Other non-current assets	515	515	530
Cash & bank balance	466	1,014	1,620
Current Investments	1,990	1,990	1,990
Trade receivables	1,213	1,296	1,369
Unbilled revenue	-	-	-
Other financial assets	27	29	31
Other current assets	221	236	249
Total Current Assets	3,917	4,567	5,260
Trade payables	255	273	288
Lease liability	30	30	30
OCL & provisions	627	670	708
Total Current Liabilities	912	973	1,026
Net Current Assets	3,005	3,593	4,234
Application of Funds	**4,354**	**4,900**	**5,505**

Source: Company, ICICI Direct Research

Exhibit 6: Key ratios

(Year-end March)	FY26	FY27E	FY28E
Per share data (₹)			
Diluted EPS	18.4	23.1	25.2
Cash EPS	21.5	26.6	29.0
BV	148	167	188
DPS	6.5	4.0	4.0
Cash Per Share	17	36	58
Operating Ratios (%)			
EBITDA margin	16.3	15.5	16.0
PBT Margin	14.9	15.8	16.0
PAT Margin	9.8	11.4	11.8
Debtor days	83	83	83
Unbilled days	-	-	-
Creditor days	18	18	18
Return Ratios (%)			
RoE	12.6	14.0	13.5
RoCE	19.5	18.8	17.8
RoIC	41.4	41.6	45.4
Valuation Ratios (x)			
P/E	17.7	14.1	12.9
EV / EBITDA	7.8	7.0	5.8
EV / Net Sales	1.3	1.1	0.9
Market Cap / Sales	1.7	1.6	1.5
Price to Book Value	2.2	2.0	1.7
Solvency Ratios			
Debt/EBITDA	-	-	-
Debt / Equity	-	-	-
Current Ratio	1.6	1.6	1.6
Quick Ratio	1.6	1.6	1.6

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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